INTRODUCTORY STATEMENT

PRESS CONFERENCE

Christine Lagarde, President of the ECB,Luis de Guindos, Vice-President of the ECB,Frankfurt am Main, 30 April 2020

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Ladies and gentlemen, the Vice-President and I are very pleased to welcome you to our press conference. We will now report on the outcome of today's meeting of the Governing Council, which was also attended by the Commission Executive Vice-President, Mr Dombrovskis.

The euro area is facing an economic contraction of a magnitude and speed that are unprecedented in peacetime. Measures to contain the spread of the coronavirus (COVID-19) have largely halted economic activity in all the countries of the euro area and across the globe. Survey indicators for consumer and business sentiment have plunged, suggesting a sharp contraction in economic growth and a profound deterioration in labour market conditions. Given the high uncertainty surrounding the ultimate extent of the economic fallout, growth scenarios produced by ECB staff suggest that euro area GDP could fall by between 5% and 12% this year, depending crucially on the duration of the containment measures and the success of policies to mitigate the economic consequences for businesses and workers. As the containment measures are gradually lifted, these scenarios foresee a recovery in economic activity, although its speed and scale remain highly uncertain. Inflation has declined as a result of the sharp fall in oil prices and slightly lower HICP inflation excluding energy and food.

The decisive and targeted policy measures that we have taken since early March have provided crucial support to the euro area economy and especially to the sectors most exposed to the crisis. In particular, our measures are supporting liquidity conditions and helping to sustain the flow of credit to households and firms, especially small and medium-sized enterprises (SMEs), and to maintain favourable financing conditions for all sectors and jurisdictions.

We welcome the measures taken by euro area governments and the European institutions to ensure sufficient healthcare resources and to provide support to affected companies, workers and households. At the same time, continued and ambitious efforts are needed, notably through joint and coordinated policy action, to guard against downside risks and to underpin the recovery.

In line with our mandate, the Governing Council is determined to continue to support households and firms in the face of the current economic disruption and heightened uncertainty, in order to safeguard medium-term price stability.

Accordingly, the Governing Council decided today to further ease the conditions on our targeted longer-term refinancing operations (TLTRO III). Specifically, we decided to reduce the interest rate on TLTRO III operations during the period from June 2020 to June 2021 to 50 basis points below the average interest rate on the Eurosystem's main refinancing operations prevailing over the same period. Moreover, for counterparties whose eligible net lending reaches the lending performance threshold, the interest rate over the period from June 2020 to June 2021 will now be 50 basis points below the average deposit facility rate prevailing over the same period.

We also decided on a new series of non-targeted pandemic emergency longer-term refinancing operations (PELTROs) to support liquidity conditions in the euro area financial system and contribute to preserving the smooth functioning of money markets by providing an effective liquidity backstop. The PELTROs consist of seven additional refinancing operations commencing in May 2020 and maturing in a staggered sequence between July and September 2021 in line with the duration of our collateral easing measures. They will be carried out as fixed rate tender procedures with full allotment, with an interest rate that is 25 basis points below the average rate on the main refinancing operations prevailing over the life of each PELTRO.

Further details on the amendments made to the terms of TLTRO III and on our new PELTROs will be published in dedicated press releases this afternoon at 15:30 CET.

Since the end of March we have been conducting purchases under our new pandemic emergency purchase programme (PEPP), which has an overall envelope of €750 billion, to ease the overall monetary policy stance and to counter the severe risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the coronavirus pandemic. These purchases will continue to be conducted in a flexible manner over time, across asset classes and among jurisdictions. We will conduct net asset purchases under the PEPP until the Governing Council judges that the coronavirus crisis phase is over, but in any case until the end of this year.

Moreover, net purchases under our asset purchase programme (APP) will continue at a monthly pace of €20 billion, together with the purchases under the additional €120 billion temporary envelope until the end of the year. We continue to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of our policy rates, and to end shortly before we start raising the key ECB interest rates.

We also intend to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when we start raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

In addition, we decided to keep the **key ECB interest rates** unchanged. We expect them to remain at their present or lower levels until we have seen the inflation outlook robustly converge to a level sufficiently close to, but below, 2% within our projection horizon, and such convergence has been consistently reflected in underlying inflation dynamics.

Together with the substantial monetary policy stimulus already in place, these measures will support liquidity and funding conditions and help to preserve the smooth provision of credit to the real economy. At the same time, in the current rapidly evolving economic environment, the Governing Council remains fully committed to doing everything necessary within its mandate to support all citizens of the euro area through this extremely challenging time. This applies first and foremost to our role in ensuring that our monetary policy is transmitted to all parts of the economy and to all jurisdictions in the pursuit of our price stability mandate. We are, therefore, fully prepared to increase the size of the PEPP and adjust its composition, by as much as necessary and for as long as needed.

In any case, the Governing Council stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner, in line with its commitment to symmetry.

Let me now explain our assessment in greater detail, starting with the **economic analysis**. The latest economic indicators and survey results covering the period since the coronavirus spread to the euro area have shown an unprecedented decline, pointing to a significant contraction in euro area economic activity and to rapidly deteriorating labour markets. The coronavirus pandemic and the associated containment measures have severely affected the manufacturing and services sectors, taking a toll on the productive capacity of the euro area economy and on domestic demand. In the first quarter of 2020, which was only partially affected by the spread of the coronavirus, euro area real GDP decreased by 3.8%, quarter on quarter, reflecting the impact of the lockdown measures in the final weeks of the quarter. The sharp downturn in economic activity in April suggests that the impact is likely to be even more severe in the second quarter. Looking beyond the immediate disruption stemming from the coronavirus pandemic, euro area growth is expected to resume as the containment measures are gradually lifted, supported by favourable financing conditions, the euro area fiscal stance and a resumption in global activity.

Given the highly uncertain duration of the pandemic, the likely extent and duration of the imminent recession and the subsequent recovery are difficult to predict. However, without pre-empting the forthcoming Eurosystem staff macroeconomic projections, which will be published in June, growth scenarios produced by ECB staff suggest that euro area GDP could fall by between 5% and 12% this year, followed by a recovery and normalisation of growth in subsequent years. The extent of the contraction and the recovery will depend crucially on the duration and the success of the containment measures, how far supply capacity and domestic demand are permanently affected, and the success of policies in mitigating the adverse impact on incomes and employment.

According to Eurostat’s flash estimate, euro area annual HICP inflation decreased from 0.7% in March to 0.4% in April, largely driven by lower energy price inflation, but also slightly lower HICP inflation excluding energy and food. On the basis of the sharp decline in current and futures prices for oil, headline inflation is likely to decline considerably further over the coming months. The sharp downturn in economic activity is expected to lead to negative effects on underlying inflation over the coming months. However, the medium-term implications of the coronavirus pandemic for inflation are surrounded by high uncertainty, given that downward pressures linked to weaker demand may be partially offset by upward pressures related to supply disruptions. Market-based indicators of longer-term inflation expectations have remained at depressed levels. Even though survey-based indicators of inflation expectations have declined over the short and medium term, longer-term expectations have been less affected.

Turning to the **monetary analysis**, broad money (M3) growth increased to 7.5% in March 2020, from 5.5% in February. Money growth reflects bank credit creation for the private sector, which is driven to a large extent by drawing on credit lines, and low opportunity costs of holding M3 relative to other financial instruments, while heightened economic uncertainty appears to have triggered a shift towards monetary holdings, likely for precautionary reasons. In this environment, the narrow monetary aggregate M1, encompassing the most liquid forms of money, continues to be the main contributor to broad money growth.

Developments in loans to the private sector have also been shaped by the impact of the coronavirus. The annual growth rate of loans to households stood at 3.4% in March 2020, after 3.7% in February, while the annual growth rate of loans to non-financial corporations stood at 5.4% in March, after 3.0% in February. These developments are also clearly visible in the results of the euro area bank lending survey for the first quarter of 2020, which indicate a surge in firms' demand for loans and for drawing on credit lines to meet liquidity needs for working capital, while financing needs for fixed investment declined. Demand for loans to households for house purchase increased less than in the previous quarter. Credit standards for loans to firms tightened slightly, while credit standards for loans to households tightened more strongly. In both cases, this was related to the deterioration in the economic outlook and a decline in the creditworthiness of firms and households. At the same time, banks expect an easing of credit standards for loans to firms in the second quarter of 2020.

Our policy measures, in particular the more favourable terms for TLTRO III operations and the collateral easing measures, should encourage banks to extend loans to all private sector entities. Together with the credit support measures adopted by national governments and European institutions, they support ongoing access to financing, including for those most affected by the ramifications of the coronavirus pandemic.

To sum up, a **cross-check** of the outcome of the economic analysis with the signals coming from the monetary analysis confirmed that an ample degree of monetary accommodation is necessary for the robust convergence of inflation to levels that are below, but close to, 2% over the medium term.

Regarding **fiscal policies**, an ambitious and coordinated fiscal stance is critical, in view of the sharp contraction in the euro area economy. Measures taken should as much as possible be targeted and temporary in nature in response to the pandemic emergency. We welcome the endorsement by the European Council of the Eurogroup agreement on the three safety nets for workers, businesses and sovereigns, amounting to a package worth €540 billion. At the same time, the Governing Council urges further strong and timely efforts to prepare and support the recovery. In this regard, we welcome the European Council agreement to work towards establishing a recovery fund dedicated to dealing with this unprecedented crisis.

We are now ready to take your questions.

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We will very shortly take your questions but before that, on behalf of the entire Eurosystem and all members of the ECB, I would like to acknowledge once more that this is a global health crisis and that the highest priority has to go to trying to save lives and prevent the spread of the disease. Since our last press conference, on March 12th, it's about three additional million people who have been infected by coronavirus and a third of them in the euro area. And while it is heartening to see the curve of death flattening, we must remember that each death is a tragedy for those who stay and we would like to express our sympathy and our condolences to all those who are suffering those deaths. And we would like to also express our gratitude, deep gratitude, to all those, from doctors to nurses, to ambulance drivers and all those who actually are on the front line of this fight against the virus and who risk their life.

As I told you those are very strange and uncertain times and it is in a way demonstrated by the absence of Vice-President de Guindos next to me. Vice-President de Guindos is with us online, we have been operating in split teams and therefore we do not see each other, we do not contact each other, and he is with us on the phone. If there are questions directed to him he will be able to take them whenever it's convenient, but he is with us.

With that, we are going to operate also in a strange way. The room is not like any room that we have had in press conferences before. It's empty. So you are all online and I know that you are submitting questions or you will be submitting questions in relation to the Governing Council that has just concluded.

Good afternoon, thanks for taking my questions. The first one is about the asset purchases. I wanted to know if you discussed changing the composition or the pace of the asset purchases. Most particularly I'm interested in whether you discussed including junk-rated debt in the APP.

The second question is about OMT and whether you see OMT as an appropriate tool in the current crisis for some of the countries. Do you think a blanket ESM programme for all of the eurozone, as floated by some, would be a viable solution?

Lagarde: Thank you very much for your two-pointed questions. I am going to take the opportunity of this first question to take you back a little bit to the last two days that we've had with Governing Council members. I also want to take this opportunity to walk you through the masses of changes that the Eurosystem and the ECB together have decided and, for most of them actually now, implemented in the last few weeks. In terms of the current situation, we are facing an economic contraction of a magnitude and speed that is unprecedented in recent history. The spread of the coronavirus and the associated containment measures have literally halted economic activity to a large extent across the globe. We are seeing a rapid evolution of the economic effects of the necessary containment measures in our area. Initially there were only some sectors that were badly affected. We were talking about transportation, we were talking about tourism, we were talking about entertainment. Gradually as the containment measures took hold, entire sectors of the economy to a large extent were simply shut down.

It's reflected and it will continue to be reflected, the hard numbers are just beginning to come. We just had a few numbers from the first quarter and frankly, our forecast for the second quarter in our severe scenario points to minus 15% on a quarterly basis. Consumer business sentiment indicators are in freefall, while labour market conditions have deteriorated massively. If you look at the PMI composite, for instance, in April 13.5 and it comes from 29.7 in March and before that, 51.6 in February. That decline, which is also quite remarkable and explains quite a lot of things, was driven by the manufacturing sector but very much so by the service sector as well. The European Commission Flash Consumer Confidence also dropped to minus 27.7. If you look at labour forces, 718,000 companies in Germany have applied for the short-term special work programme.

In France the number of companies that have applied for the chômage partiel – the unemployment special schemes – went from 24,000 to 425,000, covering over 10 million employees. In Italy it's 4.6

million employees that are covered. We do not still have clarity about the course of the pandemic and the duration and the degree of remaining containment measures that will be taken, which of course is critical for us to actually take an assessment of what the economic situation will be. It makes our job of forecasting, and all those who are trying to forecast around the world, extremely difficult. As I said, our growth scenarios on an annual basis, from the mild to the more severe, vary from 5 to 12% negative depending on the containment measures that are taken. Of course as and when the containment measures are lifted, we expect a recovery of economic activity, but we cannot tell at what speed and what will be the scale of it.

Now, let me turn to the number of measures that we have taken since March. All those measures are aimed at 1) ensuring ample liquidity conditions 2) protecting the smooth flow of credit to business and households and 3) preserving highly-accommodative financing conditions. Those are the three goals we're pursuing. There is the pandemic emergency purchase programme, €750 billion, combined with our increased APP decided on the 12th March – €120 billion combined with our monthly purchases of €20 billion monthly. We have over €1 trillion that we can deploy and use until the end of the year to purchase assets. Our new targeted lending facility provides for around €3 trillion in liquidity to banks at a negative rate. This rate can be significantly below our policy rate. Third, we have also significantly eased our collateral rules to ensure that banks can continue to make use of the refinancing facilities, ensuring that our monetary policy tools remain effective even in times of severe financial market stress, and against the backdrop of looming rating downgrades.

These measures altogether form a really powerful package and are providing crucial support to the euro area economy, notably to those sectors most exposed to the crisis. I will tell you, as the economic situation is evolving rapidly, we are constantly monitoring the situation and evaluating each of those measures as standalones and as part of the package to test whether they are still properly calibrated and sized appropriately. In light of this, and with the view to further ease the conditions for banks to provide credit to the real economy, we decided to take further action today. We eased the conditions of our TLTRO III. What did we do? We reduced the interest rates for the period from June '20 to June '21 by a further 25 basis points. The rate in TLTRO III can now be as low as minus one percent. We also decided to create a new instrument that we call PELTRO; the Pandemic Emergency Longer-Term Refinancing Operation, which is intended to support liquidity conditions to the entire euro area, to the entire financial system, to contribute to preserving the smooth functioning of money markets by providing effectively a liquidity backstop.

These operations will be carried out as fixed-rate tender procedures, with full allotment, at an interest rate that will be 25 basis points below the average main refinancing operation rate or MRO rate. The Governing Council – and we discussed that over the last two days – is more determined than ever to strengthen its commitment, to ensure supportive financial conditions across all sectors and countries so that they can absorb this unprecedented shock that we are experiencing. With this in mind, we will make full use of the flexibility that is embedded in PEPP and in other components of our policy toolkit to ensure that our monetary policy stance reaches all sectors and countries in the same manner.

I'm saying all that to you to address your questions because as one of the decisions that we made and that I just commented, we decided to enlarge the pool of collateral by effectively freezing ratings where they were on April 7th. We provided for a floor which is at CQS5, but that gives a large pool from which banks can actually draw in order to get financing. We did not discuss the APP. Let me remind you that again we are fully flexible, we will look at all options, we will determine and monitor and we will make sure that our monetary stance and our monetary policy transmission are both effective.

Your second question dealt with OMT. Now, let me remind you that OMT was conceived back in 2012 and there was full publication about the terms and conditions and characteristics of OMT. OMT was intended for particular country cases and particular circumstances where, because of fiscal policy or structural policy misguidance, there was a potential risk out there that the euro area be at risk and that it would be self-fulfilling. Those were the days. We are no longer facing that situation. We are facing a situation where it's not a single country, but it's all countries, where it's a global shock that applies in a very symmetric way. The best tool that we have in our toolbox is indeed the Pandemic Emergency Purchase Programme, PEPP.

Now, of course OMT remains part of the toolbox and we are not suggesting that we would eliminate OMT, but for the crisis we're going through at the moment, PEPP is clearly designed to that effect, added to which the triggering of OMT of course is a matter for the Governing Council to decide. I think I've dealt with your two questions.

Just to be clear, because you just said that the Governing Council did not discuss APP; I was wondering, was there any discussion about increasing or adjusting the size and composition of PEPP? That's something that you mentioned, that you said you stand ready to adjust, and it's something a lot of economists are expecting at the moment.

My second question is: what was your rationale for not cutting interest rates today given that the rate on your new Pandemic Emergency Longer-Term Refinancing Operation seems to effectively act as a rate cut in the MRO rate by 25 basis points?

Lagarde: On your first question relating to the Pandemic Emergency Purchase Programme: let me just remind you that it's a programme that is a standalone, very exceptional programme that is intended to address the issue of the pandemic. So it is unlike any other programme, which is why it was targeted, it was temporary and it was flexible. I'll remind you that the life of that PEPP is going to be determined by the Governing Council. It will not end earlier than the end of calendar year but depending on the length of the crisis – and this will be the determination of the Governing Council – it might be extended further than the end of 2020. It is also not the only programme that we have. We have purchase programmes, including the €120 billion that were decided on March 12th. We have our recurring monthly €20 billion programme that is also in place. Let's not just focus on PEPP, which is very specifically designed, but let's make sure that we understand the whole firepower that the ECB has available, which is north of €1 trillion.

Now, on PEPP I just want to take you to exactly the wording that we have, which relates to the flexibility. From memory, what was decided and it was the fruit of significant discussions all in the light of the exceptional circumstances that we were going through, we have very specifically the fact that to the extent – and I quote – “That some self-imposed limits might hamper action that the ECB is required to take in order to fulfil its mandate, the Governing Council will consider revising them to the extent necessary to make its action proportionate to the risks that we face.” That's a very clear indication that if it is so necessary because our action is impaired by those self-imposed limits, we will revisit them.

You know that the legal act was published shortly after that, which distinguishes very clearly the APP holdings from the PEPP holdings.

We believe that we have to make full use, and continue to make full use, of that flexibility. That applies across classes of assets. It applies across jurisdictions. It applies across time. So we will use that flexibility full fledge. Indeed, we stand ready to revisit, to examine and as is mentioned very clearly in the introductory statement, to calibrate and to adjust the size and the composition of PEPP in size, in length, in order to make sure that our monetary stance and our monetary policy is properly transmitted. On the interest rate: you know, we look at the bulk of what we've done since early March and we believe that between the massive liquidity facility, between the revised and much improved TLTROs, with the enlarged pool of collateral from which banks can draw, combined with an interest rate that itself was already at low level, we have the combination as a package to actually address the current circumstances. It does show in the results.

I think the Bank Lending Survey that was published a couple of days ago is absolutely explicit in that respect. The way by which yields on many of the government bonds have evolved over the last few weeks is also indicative of the action that we take. We have used flexibility when it was necessary. We will continue to do so, believe me.

Two very quick questions. One is: a lot of economists are saying the ECB should just adopt formal yield control policies. What do you think about that?

Do you now believe that it is the ECB's role to control the spreads on government debt?

Lagarde: All right, the yield curve control policy: as I just said, I think the combination of tools that we are using at the moment enables us to operate across the entire curve and to actually deal with all maturities. Whether it's the short end, the long end of the curve, we are in a capacity to deal with the two key objectives that we have, which are; to make sure the monetary stance reaches its goal, and that monetary policy is properly transmitted. All of that within our mandate and all of that with the ultimate objective of price stability. Now, clearly we are operating under very specific circumstances and the combination of those tools enables us to satisfy those objectives.

As I said earlier, we will use any and all flexibility that we have in accordance with our mandate in order to make sure that our monetary policy is properly transmitted to all jurisdictions, from east to west, from north to south, to all sectors of the economy. We have the flexibility to do so, so we will use it full fledge.

I have two questions: one is again on the OMT because the details of the new pandemic ECCL – the special ESM Precautionary Credit Line – will be defined shortly. The market expects that this new ECCL will give the possibility also to go and trigger, or ask for, the OMT. Are there special details that this new ECCL Credit Line should have to trigger OMT?

Then the second question is more on Italy, because reportedly the ECB has been buying, very heavily, Italian government bonds through PSPP and PEPP, yet the capital key is still there and there is no reinvestment of principal payments. In Italy there is a feeling that the ECB could do more because you said that the coronavirus has symmetric impact, but then it has asymmetric damages. Is the ECB doing enough for Italy?

Lagarde: On OMT, I think I've already responded, but I'll be happy to expand on that. OMT was created in 2012 – different times, different issues – and it was designed for countries but taken in isolation, that were facing particular serious circumstances. Clearly, countries had to be subject to an ESM programme, which had conditionalities. Those September 12th conditions also provided that the Governing Council would consider OMT warranted from a monetary policy perspective. There was never an automatic trigger for OMT. The Governing Council needs to assess that there is a clear monetary policy justification and objective. As I said earlier, OMT is not necessarily best suited for the present contingencies. OMT is in the toolbox, it is there but given the symmetry of the shock, clearly the Pandemic Emergency Purchase Programme is designed specifically to that end; to make sure that the monetary stance reaches its goals, monetary policy is transmitted throughout the euro area. PEPP provides that; it is exceptional, it is temporary, it is targeted and it's intended to be used with great flexibility. You just noted that, actually.

We do use flexibility in how we use PEPP and on that particular page, I am pleased to report to you that the Governing Council has decided the publication principles that will apply to our PEPP programmes. That had not been clarified yet and you'll be pleased to know also that we will apply the same granularity principles that apply to APP, but we will publish on a bi-monthly basis. So it will be accumulated over two months, but it will be as granular as the APP. That will give really good and solid information. But given the specificity of PEPP, we considered that it was most appropriate to do so on a bi-monthly basis.

As I told you, our aims are twofold and we will not tolerate any risk of fragmentation. We will want to make sure that there is plenty of liquidity, we will want to make sure that credit flows to the economy, that our monetary policy stance and transmission are effective. We will do so in whichever country needs to benefit from our determinations. We are determined to use all those tools and we are determined to deploy full flexibility, as I've just indicated.

I have a very detailed question on whether you'd also think about buying junk bonds, not only accepting them as collateral, so whether you also grandfather, for example, bonds in that respect.

Another question is just a clarification of what you said earlier with regards to PELTROs. Would you also accept other counterparties i.e. non-banks, or it's just purely banks you are thinking about?

Lagarde: To your question, is the ECB going to buy junk bonds; we have not discussed any change to the APP eligibility framework at this point in time. For the PEPP I would like to remind you that we have already given a waiver of eligibility requirements for securities issued by the Greek government. It exists. This was also part of the multiple decisions that we made in March. As I said already, we have been very, very clear – and if I need to repeat it again, I will repeat it again – we will not accept fragmentation of monetary transmission in the euro area or any pro-cyclical tightening of financing conditions. So within our mandate and with these two principles in mind, we will adjust as and when needed.

I think you had a second question and that had to do with the PELTROs. Now, I don't know exactly what you wanted to know about PELTROs. Do you mind repeating your question on PELTRO?

I can: whether you would also accept other counterparties for this specific operation other than banks. Would you extend it also to non-banks?

Lagarde: PELTRO is an additional tool in many ways because we had initially thought that the LTRO decided on March 12th was only a bridge until the next entry into effect of TLTRO. We decided to actually put in place PELTROs to provide additional support to liquidity conditions in financial markets, contributing to preserve the smooth functioning of money markets by providing an effective liquidity backstop. Extending it beyond the normal counterparties that we have, the Governing Council has not discussed that, but once again we are in such uncertain times. There is such a threat to the economic fabrics of our societies that we have to be open-minded and look at all possibilities. I am not closing off anything in that respect, but we have not discussed it in the Governing Council.

Two questions. The first is: when you're thinking about how to, or whether to, increase the size of the PEPP programme, are you orienting yourself to the scale of new government bond issuance this year? It seems like analysts are thinking about it in those terms; that there might be about three-quarters of a trillion of new government bond issuance in the eurozone. Is that the factor you're looking at closely when you think about whether to increase the scale of the PEPP?

My second question is that your measures today were really focused on the banking sector. Is that for a particular reason? Are you seeing any particular stresses in the eurozone banking sector at the moment?

Lagarde: You know, our PEPP is as I said one huge component of our purchase programme capacity. Don't forget that you also have these other components that bring it all together to over €1 trillion. That's one. Second, as I said, we will use full flexibility to deploy this particular powder in the right direction where we feel that there is a risk of tightening and where we feel that we need to intervene to protect and preserve our monetary policy stance and our monetary policy transmission. As I said, flexibility means across classes of assets, across jurisdictions, across time. In terms of timing I also remind you that the length, the duration of that PEPP will be determined by the Governing Council, taking into account the pandemic crisis time.

We take into account all indicators that we can and our purposes are very simple; monetary stance, monetary policy transmission, appropriate level of liquidity, making sure that credit flows. That takes me to the second part of your question. TLTROs and this particular one in its latest iteration that can go all the way down to minus one percent at which banks can finance themselves, is intended for the real economy, is intended for credit to flow to the real economy from the large corporate to the sole entrepreneur, and everything in between. It is associated with a threshold that banks have to demonstrate they are reaching. In other words, if they make sure that they don't leverage, if they continue to have a full exposure and that they continue to give credit to the economy, then they become eligible to this particularly favourable rate. It is not without consideration that we have reframed this TLTRO. It's not intended for banks; it's intended for the financing of the economy.

We regard that as an absolute imperative if we want the economies of the euro area to actually be in a position to resist the extraordinary shock that it is suffering, and to be in a position to pick up strength and to continue to exist and invest and create those jobs that are being – that are vanishing at the moment. That's what we are doing.

Because of the COVID banking crisis, NPLs are expected to rise. How worried are you about them being a risk to financial stability?

My second question is that some ECB board members are worried that these crisis measures will take on a more permanent character. We see that some eurozone countries are working on an exit strategy from the lockdown measures. Is the ECB also thinking about its exit strategy?

Lagarde: I'll start with the last one because that's one that is also taking a lot of our time and a lot of our concern. We are operating under pretty much lockdown status at the moment. I take the opportunity of this press conference to actually thank all staff of the Eurosystem and those here at the ECB who are making huge sacrifices every day to actually deliver, be able to be on the markets as actively as they normally are, and all that despite teleworking, despite children at home and all the rest of it. We might be bankers. We are also taking the hit in the same way and having to face the same hardship on a day-to-day basis. We try to guard against the difficulties that could arise from that. We are looking at how, as the German regulations, prescriptions and recommendations evolve over the course of the next few weeks, how we can also ourselves make sure that we exit without jeopardising our operations, without making the system at risk. I would like to actually tell you that those people who work in teams between various countries are also experiencing some tough times.

Yes, we are looking at the exit options. What I can tell you is that because of the social distancing, because of the way we have to work, this return to normal, so to speak – which will be a new normal – is certainly not in the next few months. We are looking at way down and probably out in 2021 in terms of return to a new normal. For the moment it's going to be gradual and with two imperatives. The first one is to make sure that staff are safe, stay healthy, are protected and 2) that we honour our mandate and we do our duty to the citizens of the euro area.

Permanent character of the crisis: we certainly hope that this is not the case. As our macroeconomic team has forecast, while the next quarters will be difficult, we are also looking at a pick-up and at our recovery. The forecast that you will see in June, I hope, and the scenario results that you will see tomorrow – because we publish tomorrow the scenario – indicate actually a recovery and an uptick in the situation in 2021. We very much hope that it will not be permanent. I hope that the European agencies and institutions under the leadership of the European Council and the Eurogroup, will do everything they can in order to have a joint approach and in order to show solidarity to those that have been most affected by the current crisis.

Financial stability: I would simply like to say that since the last great financial crisis in 2008, the banks are in a much stronger position. Clearly, many of them have made a very significant effort to reduce their non-performing loans and have done so. Clearly, at the moment, the point is to focus on defeating the economic consequences of the pandemic, but obviously financial stability will remain of concern. The SSM, under the leadership of Andrea Enria, obviously is looking at that from a microprudential point of view.

I just want to ask about inflation in light of the decline in inflation for April. I'm wondering if you're expecting inflation to go negative in May and, longer term, whether you see a danger of

deflation in the eurozone.

Lagarde: First of all, I highly recommend that you look at the scenario publication tomorrow, because they go into great details on those numbers. You know, I'm going to refrain from making any kind of guesstimate of what we see. What we are certain to see is significantly reduced inflation. How much is going to be very difficult to determine, and why is that? Because of the lockdown, essentially; because the price formation mechanisms are not in place. Added to that, simply the collection of data about prices is sometimes very significantly impaired. I would refrain from that. I think clearly, in the short and medium term, we are seeing inflation expectations and forecasts that are significantly lower than what we had seen. The longer-term expectations have not been significantly affected, but we are in a completely exceptional situation which, by many accounts, prevents forecasters and estimates from having any of accuracy.

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